Appendix A
New York Times–July 6, 1983, p. 1

APPENDIX A

INVESTIGATORS CHARGE CONTRACTORS FORMED 'CLUB' FOR TAX FRAUD

By SELWYN RAAB

Federal investigators say they have uncovered evidence of multimilliondollar fraudulent schemes and instances of tax evasion by a group of New York City building contractors who secretly banded together and called themselves "the Club."

The purported labor-racketeering crimes by executives of key companies in the local dry-wall construction business included the withholding of more than $10 million over a four-year period from a carpenters union welfare fund, Federal law enforcement officials said.

Agents of the Federal Bureau of Investigation, the Internal Revenue Service and the Labor Department are also said to have found millions of dollars of "off the books," or concealed, payments in cash to employees. Those payments were made instead of the regular payment of wages that would be recorded for tax purposes, the officials said.

The Organized Crime Strike Force in the Eastern District of New York is presenting evidence on the schemes to a Federal grand jury in Brooklyn.

The withholding of payments to the union welfare fund is expected to lead to fraud charges against executives of at least five contracting concerns, investigators said. They added that the concealed wages would result in tax evasion charges against officers of the companies as well as employees who failed to report the wages as income.

Federal officials said the unrecorded wages allowed the construction companies to evade taxes and mandatory contributions to the union's welfare fund. The scheme was also used to pay several hundred employees lower wages than

Appendix A
New York Times–July 6, 1983, p. 1

were required in the contract with their union, the New York City District Council of Carpenters.

Dry-wall contractors build interior walls in commercial and residential buildings. Most of the violations, the investigators said, occurred on projects in Manhattan and involved companies that are members of a construction trade group, the Metropolitan New York Dry Wall Contractors Associations.

$100 Million in Contracts

The 20 companies in the association generally obtain most of the private and public dry-wall contracts in the city, totaling more than $100 million a year, according to construction industry experts.

Irving Mazzer, the executive director of the association, failed to reply to four telephone calls to his office in Manhattan requesting comment on the inquiry.

Investigators identified some of the companies under investigation as Ace Partitions Inc., 2216 Bath Avenue, Brooklyn; the Circle Industries Corporation, 4817 Baldwin Avenue, the Bronx; the Graphic Construction Company, 909 Third Avenue, Manhattan; Prince Carpentry Inc., 115 East 57th Street, Manhattan, and the Standard Drywall Corporation, 2203 Avenue X, Brooklyn.

Attempts to reach officials of the companies for comment yesterday were unsuccessful.

Investigators said that during an investigation of another matter in 1980 the F.B.I. and Federal prosecutors learned about the Club from court-authorized electronic eavesdropping at the East 23rd Street office of Theodore Maritas, who was then the president of the District Council of Carpenters, A.F.L.-C.I.O., a union representing 25,000 carpenters in the metropolitan area.

Appendix A
New York Times–July 6, 1983, p. 1

The intercepted conversations between Mr. Maritas and other people, officials said, led to additional inquiries, including the examination of company records.

The investigation, officials said, found that some companies in the dry-wall contractors association might have engaged in illegal practices with the knowledge and approval of some carpenters union officials from 1978 to 1981.

In the taped conversations, according to investigators, executives of the companies and Mr. Maritas identified companies in the association that were permitted to disregard union contract provisions as the Club.

Missing Labor Leader

Mr. Maritas disappeared in March 1982 after being indicted on Federal charges that he had helped to extort more than $125,000 from nonunion contractors in Manhattan and Queens in return for labor peace. Federal prosecutors believe Mr. Maritas, who is still missing, has been murdered to prevent him from cooperating with authorities in a broader investigation of labor racketeering.

"If these charges are true, I will be in a coma over the losses to the welfare fund," said Joseph Lia, the acting head of the District Council of Carpenters.

Edward A. McDonald, the Federal attorney who is the head of the Organized Crime Strike Force in the Eastern District, confirmed that his office was "conducting an inquiry into the dry-wall industry and labor racketeering."

In an interview, he said the inquiry was an outgrowth of the Lil Rex case—an acronym for Long Island Labor Racketeering and Extortion, an investigation by the F.B.I. in the late 1970's.

Appendix A
New York Times–July 6, 1983, p. 1

Evidence for Grand Jury

Mr. McDonald and Douglas E. Grover, an attorney with the strike force who is presenting evidence to the grand jury in Federal District Court in Brooklyn, declined to give further details.

But other law enforcement investigators and officials who are familiar with the case agreed to be interviewed on the condition that they not be identified.

The first indictments involving one company under scrutiny are expected later this month or in August, according to the officials. Executives and employees of other dry-wall companies are expected to be indicted later this year, the officials said.

They said that while looking for irregularities in the carpenters union's welfare fund, investigators turned up evidence of tax evasion by hundreds of employees who were paid off the books.

Criminal charges will be brought against employees who collected the concealed wages and also obtained unemployment benefits from the state, the officials said.